

**Assessment Schedule – 2008****Economics: Describe aggregate economic activity (90632)****Evidence Statement**

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A	<b>One</b> (a)	$GDP = C + I + \Delta R + G + X - M$	Correct formula.		
A	(b) (i)	$74\,320 + 70\,960 + 20\,970$ = \$ 166 250 million.	Correct calculation.		
A	(ii)	(1) Gross fixed capital formation (2) BOTH required: <ul style="list-style-type: none"> <li>Export (of goods and services)</li> <li>Import (of goods and services)</li> </ul>	Correctly identifies 1 + 2.		
A	(c)	$177\,613 \div 1295 \times 1000$ = \$ 137 153 mill	Correct calculation.		
A1	<b>Two</b> (a) (1)	B	Correct letter.		
A1	(a) (2)	C	Correct letter.		
A1	(b) (i)	Eg: <ul style="list-style-type: none"> <li>decrease in interest rates</li> <li>increase in business confidence</li> </ul>	A correct investment event.		
A1	(ii)	Eg: appreciation in the New Zealand dollar (which results in a decrease in costs of imported raw materials [so an increase in AS] and a decrease in net X leads [so a decrease in AD]) OR any TWO single events that lead to an increase in AS and a decrease in AD	A correct event(s).		
A1	(c)	Eg: consumption expenditure will increase as PL falls (causing the downward slope of AD) because fixed money assets are now able to buy more goods and services.	Use a factor affecting AD to describe why a PL decrease increases AD.		

A1	Three (a)	<p>Price Level</p> <p>PL<sub>1</sub> PL</p> <p>AS<sub>1</sub> AS</p> <p>AD AD<sub>1</sub></p> <p>Y<sub>1</sub> Y Y<sub>FULL</sub> Real GDP</p>	Shows and labels:		
A1	(b)	Eg: Real GDP has fallen from Y to Y <sub>1</sub> .	Gives relevant evidence from Graph Two to show recession.		
A2	(c) (i)	CPI inflation is 1–3% on average over the medium term.	States full PTA target.		
A2	(ii)	No mark allocated as intended to help students with (iii) and (iv)			
A2 or M	(iii)	<p>Idea of:</p> <p><b>(I)</b> A decrease OCR causes an increase AD/real output (offsetting the recession) because:</p> <p><b>(E)</b> Egs: ↓ r leads to return from saving fall so consumers spend more (↑ in C) which ↑ AD          ↓ cost of borrowing falls (profitability of investments increase) so business ↑ in I which ↑ AD  <i>so causes real output to increase preventing the recession. (Q)</i></p>	<p>A partial answer that has EITHER the I OR the E point OR has BOTH but may also have a significant error.          E point requires TWO underlined points.</p>	Has BOTH I AND E points in explanation.	
A2 or M	(iv)	<p>Idea of:</p> <p><b>(I)</b> (It may not be fully effective) because a ↓ r leads to a depreciation of \$NZ (as overseas savers withdraw funds because of a lower return).</p> <p><b>(E)</b> Which increases the price of imported raw material, causing local firms (using imported raw materials) to cut back production/AS to ↓ (as profitability falls).  <i>so the policy is not fully effective increasing real GDP/preventing a recession. (Q)</i></p>	<p>A partial answer that has EITHER the I OR the E point OR has BOTH but may also have a significant error.          E point requires TWO underlined points.</p>	Has BOTH I AND E points in explanation.	
E	(c) (iii) (c) (iv)	M* M*			Two <b>M</b> 's on page 5.
A2	(d) (i)	An operating surplus occurs when government (core crown) revenues <b>exceeds</b> government expenditure.	Correct definition.		

A2	(ii)	<p>Shows and labels:</p> <ul style="list-style-type: none"><li>• increase in AD</li><li>• new <math>PL_1</math></li><li>• new <math>Y_1</math>.</li></ul>								
A2 or M	(iii)	<p>Idea of:</p> <p><b>(I)</b> An expansionary fiscal policy results from a decrease in tax OR an increase in government expenditure</p> <p><b>(E)</b> (must clearly state how increased govt expenditure increase or tax decrease cause AD increase)</p> <p>Eg: if this is spent on infrastructure it will increase investment spending, <i>causing AD to shift right. (Q)</i> or if spent on welfare it will increase consumption spending, <i>causing AD to shift right. (Q)</i> or if (direct) tax reduced consumers spend more at each price level (as their disposable income increases) <i>causing AD to shift right. (Q)</i></p> <p><b>Note:</b> Also accept idea of LRAS shifted right as stimulus identifies policy: "helps lay the foundations for ... growth in NZ in future".</p>	<p>A partial answer that has EITHER the I OR the E point OR has BOTH but may also have a significant error.</p>	<p>Has BOTH I AND E points in explanation.</p>						
A2	(iv)	<table><tr><td>Inflation</td><td>Increase</td></tr><tr><td>Economic growth</td><td>Increase</td></tr><tr><td>Unemployment</td><td>Decrease</td></tr></table>	Inflation	Increase	Economic growth	Increase	Unemployment	Decrease	<p>All correct based on candidate's Graph Four.</p>	
Inflation	Increase									
Economic growth	Increase									
Unemployment	Decrease									
A2 or M	(v)	<p>Idea of:</p> <p><b>(I)</b> PFA states that once prudent levels have been achieved, an operating balance on average should be maintained (over the business cycle).</p> <p><b>(E)</b> So during a recession, the operating balance can move into deficit (due to increased spending), provided the government plans to run surpluses at other phases of the cycle</p> <p><i>so the operating balance BALANCES on average and is thus not in conflict with the PFA. (Q)</i></p>	<p>A partial answer that has EITHER the I OR the E point OR has BOTH but may also have a significant error.</p>	<p>Has BOTH I AND E points in explanation.</p>						
E	(d) (iv) (d) (vi)	<p>M2#</p> <p>M2#</p>		<p>Two <b>M</b>'s on page 7.</p>						

**Judgement statement**

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<b>Minimum of:</b> $1 \times A$ <i>and</i> $1 \times A1$ <i>and</i> $1 \times A2$	<b>Minimum of:</b> $1 \times M$ <i>and</i> $1 \times A$ <i>and</i> $1 \times A1$ <i>and</i> $1 \times A2$	<b>Minimum of:</b> $1 \times E$ <i>and</i> $1 \times M$ <i>and</i> $1 \times A$ <i>and</i> $1 \times A1$ <i>and</i> $1 \times A2$
<i>and</i> 5 other A or M or E	<i>and</i> 7 other A or M or E	<i>and</i> 7 other A or M or E
<b>Codes:</b> A and A1 refers to the first criterion. A2, M2 and E2 refer to the second criterion.		